MANITOBA MILK PRODUCERS
26TH ANNUAL REPORT

2000

BOARD MEMBERS

William Swan - Dist. #5
Chairman

Ken Leppky - Dist. #7
Vice -Chairman
Term Ending April 2000

Maurice Delichte - Dist.# 4
Executive Member
Vice-Chairman effective May 2000

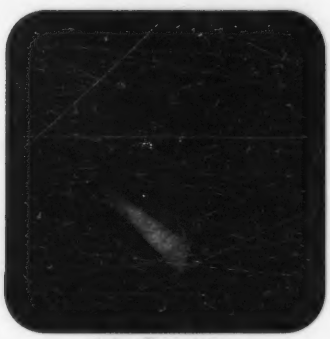
David Wiens - Dist.# 9
Executive Member effective May 2000

Richard Heapy
District # 1

Hugh Jameson
District # 2

Raymond Pelletier
District # 8

Hans Borst
District # 3



John Bannister
District # 6

Hans Gorter - Dist. # 7
Elected to the Board May 2000

Pictures on Cover

Frisky Farm, St. Pierre, Mb. winner of the 1999 Dairy Farm Excellence Award. Congratulations Fritz and Katharina Keller and their children Rebecca, Tony, Benz, Vinz and Julie.

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CHAIRMAN'S COMMENTS

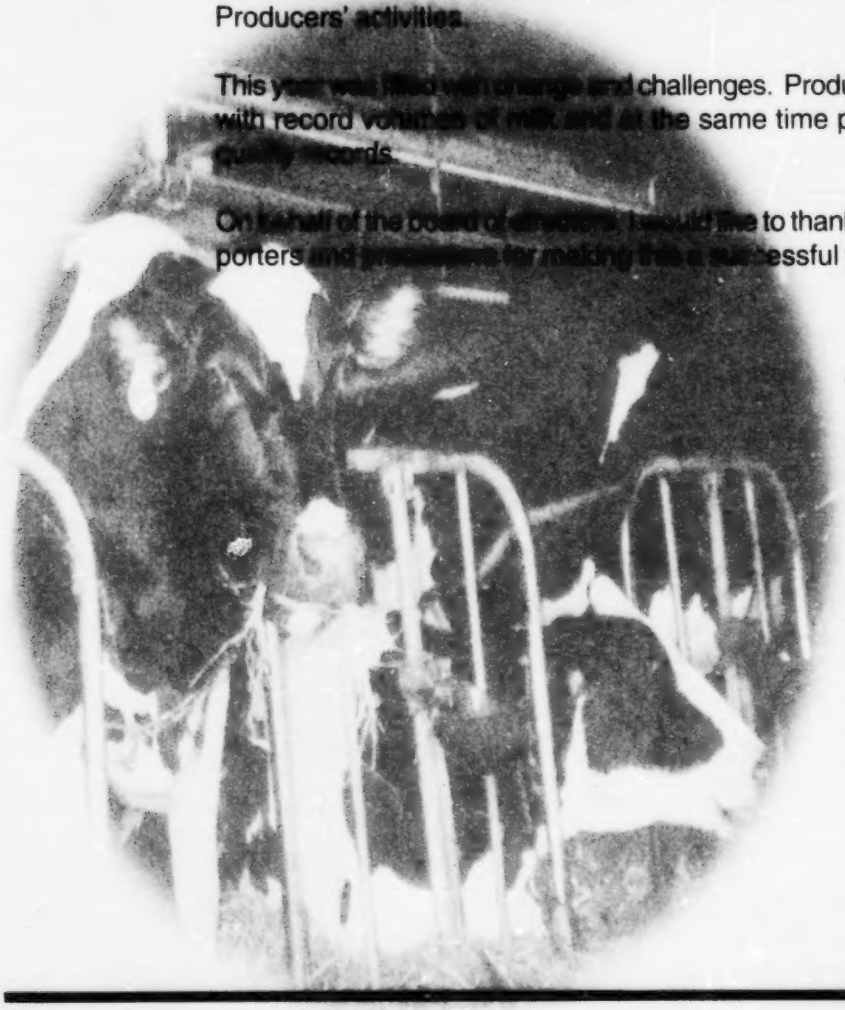
WILLIAM SWAN
CHAIRMAN
CHIEF EXECUTIVE OFFICER

We are pleased to present the 26th Annual Report of Manitoba Milk Producers' activities.

This year was filled with change and challenges. Producers responded with record volumes of milk and at the same time posted new milk quality records.

On behalf of the board of directors, I would like to thank our staff, transporters and processors for making this a successful year.

Bill Swan



REPORT FROM THE BOARD

BOARD OF DIRECTORS

Manitoba Milk Producers board of directors met 17 times during 1999/2000 for a total of 27 meeting days. Members also met for the annual meeting, the District Milk Committee Forum and a three day strategies planning session.

Members were involved in committee work, affiliated organizations, interprovincial revenue and market sharing pools, conferences and seminars.

Members spent a total of 832.5 days on Manitoba Milk Producers business for an average, not including the chairman CEO, of 86.6 days per member. The low was 75 days and the high was 94.5 days. The chairman CEO spent 139.5 days on Manitoba Milk Producers affairs.

STANDING COMMITTEES

Manitoba Milk Producers established seven committees in 1999 and their purposes were to provide specialized attention to matters affecting milk production and marketing. The 1999 committees are listed on page 30.

RELATED ORGANIZATIONS

Members also are active in related provincial and national organizations. In 1999/2000 these were Agriculture in the Classroom, Canadian Milk Supply Management Committee, Dairy Farmers of Canada, Keystone Agricultural Producers, Manitoba Forage Council and Manitoba Farm Animal Council.

Interprovincial pooling agreement supervision occupied the time of the Executive members on an ongoing basis. Numerous meetings were held in each year and all of these meetings were out of province.

DISTRICT MILK COMMITTEES

Manitoba Milk Producers [illegible] of organization and is completely funded by and [illegible] by them. Nine district milk committees consisting of [illegible] elected producers per district assist Manitoba Milk Producers in all aspects of policy development. Each district milk committee met three or four times in the district and all the committees gathered at the District Milk Committee Forum in Brandon, on March 15 & 16, 2000.

SPRING DISTRICT MEETINGS

Members called a series of 10 spring district meetings in all districts in April 2000 to discuss the World Trade Organization Panel Decision, review milk quality improvement and changes to the carry forward policy, cover off for Fall 2000, residual or 4(m) milk pricing and commercial export contracts. Transportation of milk and banking services proposals were also discussed.

MEMBER ELECTIONS

In the Fall 1999, member elections were called in Districts 1, 4 and 7. In district # 1, Mr. Richard Heapy was elected by acclamation. In district # 4, Mr. Maurice Delichte and Ms. Marianne Parvais were nominated. Ballots were circulated and the results were 54 votes for Mr. Delichte and 20 votes for Ms. Parvais. Mr. Delichte was elected for a 3-year term. In district # 7, Mr. Kenneth P. Leppky was elected by acclamation.

Due to the death of Mr. Leppky in April 2000, an election was called in June 2000 to fill the vacant position of member for district # 7. Mr. Hans Gorter was elected by acclamation in June 2000.

GRANTS & DONATIONS

Manitoba Milk Producers supports many community, agricultural and scholastic endeavours. Come to the more prominent events were the Annual Charity Golf Tournament.

The 2000 Golf Tournament was co-sponsored by the Canadian Imperial Bank of Commerce, Meyers Norris Penny and Manitoba Milk Producers. A total of $17,228.58 was raised. Notably the Canadian Imperial Bank of Commerce donated $4,000.00 and Meyers Norris Penny another $4,000.00 towards our combined fund raising efforts for children and for education.

A $1,000.00 Annual Bursary program was started at the University of Manitoba, Faculty of Agriculture and Food Sciences. The first bursary will be awarded in the spring of 2001.

Support for the Agribusiness Chair in Cooperative and Group Marketing began in 2000 and will run for the next three years. Manitoba Milk Producers will be paying towards an endowment fund to support studies, research and a post doctorate chair in collective marketing of agricultural products.

IN MEMORIUM

KENNETH P. LEPPKY

Suddenly on April 16, 2000, Ken Leppky died of a heart attack.
Ken has been a leader in Manitoba's dairy industry for many years. He was first elected to Manitoba Milk Producers in the fall of 1989, representing the then District 9. Ken was very active in Manitoba Milk Producers committees especially Product Promotion, Environment, Finance and Multiple Component Pricing and chaired many of them.
In 1995 Ken was elected to the Executive and has been Vice-Chairman since 1998. Promoting Manitoba dairy farmers as a director of Manitoba Milk Producers was a passion for Ken for the past decade. He served on several national committees which included Dairy Farmers of Canada, Dairy Bureau of Canada and the Western Milk Pool. He served other organizations such as Manitoba Safety Council, the University of Manitoba - Faculty of Agriculture, Keystone Agricultural Producers and Manitoba Milk Producers Co-op Association. All of these combined represented service at a national, regional and provincial level.

Although his accomplishments were many, he truly cherished his family and friends. Ken was well known and liked by many friends from all over Manitoba and Canada who he met over the years. His energetic, fun-loving personality allowed him to make acquaintances easily. However, it was his sincerity and genuine concern, which made the acquaintances into friends.

Ken has left us with a better understanding of the dairy industry and he has taught us an inner strength based on faith which enables us to meet life with courage and conviction, to be firm in what we believe is right, to never give up and most of all to take delight in our families and friends.
Ken's lessons are indelible, his example hard to follow. His friendship and leadership will be missed.

ARTHUR VINCENT RAMPTON

Art Rampton died on September 26, 2000 in his 81st year. Art was a member of Manitoba Milk Producers board of directors from 1976 to 1989 and was Chairman of Manitoba Milk Producers from 1978 to 1987.
His leadership was recognized nationally when he was elected Chairman of the Dairy Bureau of Canada for two years. Always with the producers' interest first, Art was a skillful leader. He will be missed.

INDUSTRIAL PRICE CHANGES

The Canadian Dairy Commission announced an increase to the support prices for industrial milk effective February 1, 2000 of $1.68/hL or a 2.7% increase. This increase consisted of $0.83/hL due to increased costs of milk production and $0.85/hL for subsidy. This resulted in an increase in the support price of skim milk powder from $4.5247 to $4.6842 per kilogram. The butter support price increased from $5.4667 to $5.5407 per kilogram.

A charge of $0.07 per hectolitre was included to the target price to cover costs associated with the normal stocks of butter held by the Commission. The $0.07 per hectolitre charge ensures domestic demand is met by holding butter stocks and to cover administration costs related to the Commission's domestic marketing activities.

The subsidy rate paid directly to producers, from August 1999 to January 2000, was $0.633 per kilogram of butterfat ($2.28/hL). This rate was reduced to $0.422 per kilogram ($1.52/hL) for the remainder of the 1999/00 dairy year. This decrease was offset by an increase in the support price for skim milk powder.

In negotiations with Manitoba processors, all classes of industrial milk were increased by the full $1.68/hL.

1998/99 FLUID SKIM OFF

Fluid skim-off is butterfat that is skimmed off in the production of fluid milks such as 2%, 1% and skim milk and is sold into the industrial market to be processed into butter, ice cream and other higher fat products. Fluid creams such as cereal cream, table cream and whipping cream consume part of this fluid skim-off and decrease the skim-off entering the industrial market. Because this fluid skim-off butterfat reaches the industrial market, it means less raw milk is required to be shipped by producers to fill the industrial product requirements. This could possibly mean a decrease in quota.

A change in methodology was approved by the Canadian Milk Supply Management Committee (CMSMC) regarding fluid skim-off. The data will now be sourced from pooling data sent by the Boards as opposed to the Statistics Canada data. As well, skim-off will now be calculated on a rolling 12 month basis. This is in line with the notion of more frequent quota adjustments. Therefore, if MSQ is changed in May, there is a years worth of skim-off data to be utilized when calculating the updated MSQ.

Manitoba's 1999/00 fluid skim-off increased from 511,350 hL to 552,218 hL, a 8.00% increase over 1998/99. This is equivalent to 147,124 kilograms of butterfat or 3.9 million litres of raw milk that was displaced. One of the benefits of being in the Western Milk Pool (WMP) is the sharing of fluid skim-off with our other western partners. Sharing, or pooling, means we receive the average of the WMP for fluid skim-off. In 1999/00 the WMP fluid skim off increased by 2.35%. Therefore, by pooling Manitoba skim-off dropped from 8% down to 2.35%; meaning less of a hit to our provincial quota.

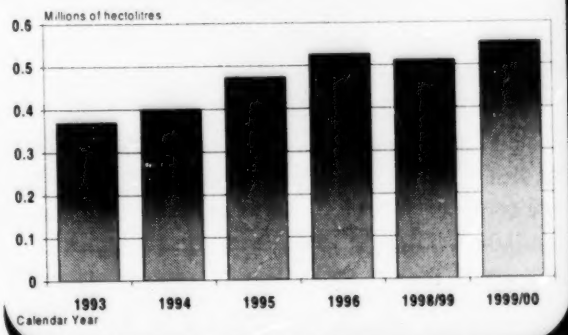
Canadian fluid skim-off decreased by 3.13% due mainly to the P5, who saw a decrease of 5.51% to their fluid skim off.

The increase in 1999/00 Manitoba skim-off was due to an increase in fluid sales, an increased raw milk butterfat test and a drop in product butterfat contents. More fluid sales means more fluid skim-off was produced and entered the industrial market.

The BF content in the fluid sales dropped from 1.67% in 1998/99 to 1.62% in 1999/00. This meant less butterfat was kept in the products and was skimmed off. The fluid creams also saw a drop, going from 18.06% in 1998/99 to 17.72% in 1999/00.

A final impact on fluid skim-off is the provincial average raw milk butterfat test. With a higher raw milk butterfat test, this means there is more butterfat in the milk to be skimmed off. In comparing 1999/00 to 1998/99, the raw milk test for Manitoba increased, raising from 3.7907 kg/hL to 3.8052 kg/hL for a difference of 0.0145 kg/hL.

Manitoba Fluid Skim-off
Hectolitres of Milk

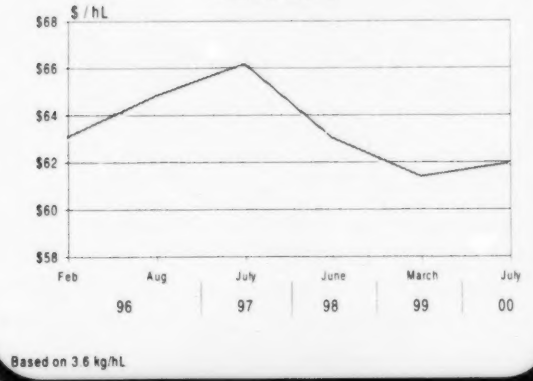


FLUID MILK PRICE

For the 1999/00 dairy year, no fluid price adjustments occurred through the Milk Prices Review Commission fluid formula.

Manitoba's producer fluid price has been consistently the lowest in Canada. Manitoba Milk Producers has relayed this concern to both the Milk Prices Review Commission (the fluid milk pricing body) and to the Minister of Agriculture. As of July 31st, no resolution to this issue has been found.

Fluid Milk Price Changes
Manitoba

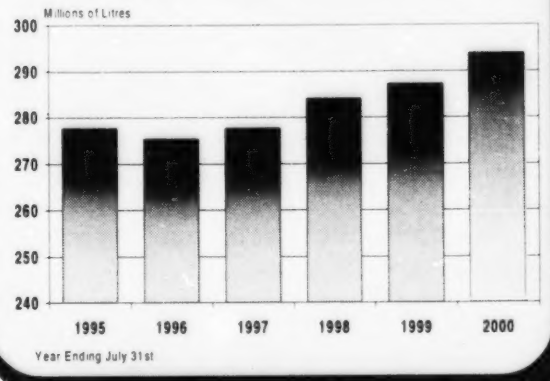


Based on 3.6 kg/hL

MILK PRODUCTION

Manitoba Milk Producers marketed 293.2 million litres of milk during 1999/00 as compared to 287.3 million litres in 1998/99. This represents an increase of 5.9 million litres, or 2.06%. Total butterfat production increased by 2.44%, from 10,889,584 kgs in 1998/99 to 11,155,647 kgs in 1999/00. The butterfat content increased from 3.79079 kg/hL to 3.80517 kg/hL representing an increase in the butterfat test of 0.01438 kg/hL or 0.38%.

Manitoba Milk Production
Quota Years 1995 to 2000



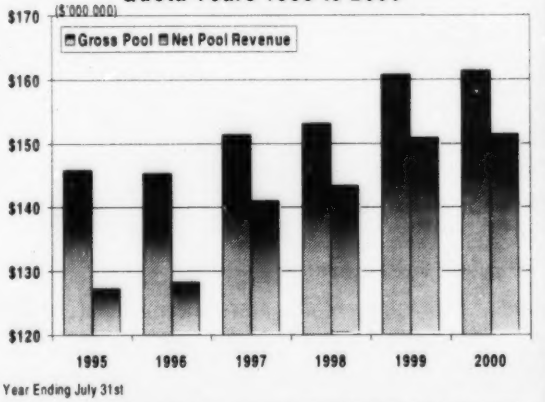
Year Ending July 31st

MILK MARKETING TO PROCESSORS

For the 1999/00 dairy year, Manitoba Milk Producers marketed to twelve processing plants owned by five processing companies at a total value of $167.2 million compared to $162.0 million in 1998/99. These consisted of three fluid milk plants and nine industrial milk plants.

Fluid milk plants receive milk on demand and consumed 113.2 million litres or 38.6% of total milk marketed. Industrial milk plants receive milk on the basis of traditional allocations set each year after skim off adjustments have amended the provincial market share quota. Milk in excess of the aggregated traditional allocations was marketed to highest classification. Industrial milk plants processed 180.0 million litres of milk in a wide range of dairy products. About 73% was used to make cheese. All of Manitoba's milk is processed in Manitoba and is 100% value added. Processors purchased milk for export to countries such as United States, Mexico, Haiti, Nicaragua and Japan.

Gross Pool vs Net Pool Revenues
Quota Years 1995 to 2000



Year Ending July 31st

Note: Net pool revenues means total processor revenue minus P4 / P6 / P9 adjustments, minus transportation, Board deductions, audit adjustments & infractions. This is before on farm costs experienced by producers.

SUCCESSFULL YEAR 2000 TRANSITION

On January 1, 2000, the Year 2000 problem - known as the "millennium bug" – had the potential to affect any computer and any kind of data-activated device.

Manitoba Milk Producers recognized the importance of being Year 2000 compliant for both our clients and our suppliers and created a committee (Year 2000 Compliance Committee) to address this issue. Its mandate was to ensure the continuous business operation of the Board, with respect to the Y2K problem, on and past January 1, 2000.

Manitoba Milk Producers did not encounter any problems relating to the "millennium bug" and, consequently, there were no interruptions to our business operation.

ALL MILK POOL (P6) AGREEMENT

Manitoba Milk Producers is a signatory of the All Milk Pooling Agreement or the P6 as it is commonly referred to. It consists of the provinces of Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario and Manitoba. Manitoba participates in a revenue sharing pool with these provinces on the basis of comparing the P6 pool average price with each individual province pool averages.

The P6 Supervisory Body has worked on such issues as quota harmonization, pricing flexibilities, automatic quota adjustments, milk movement, quota exchange study and review of P6 agreement.

WESTERN MILK POOL AGREEMENT (P4)

Manitoba Milk Producers participates in an all market and all revenue sharing agreement with Saskatchewan, Alberta and British Columbia. Over the 1999/00 dairy year the management body, the Coordinating Committee, met four times to discuss and set policy with respects to the Western Milk Pool. The Technical Committee met a total of three times to review the policies proposed by the Coordinating Committee and recommend action on any technical matters.

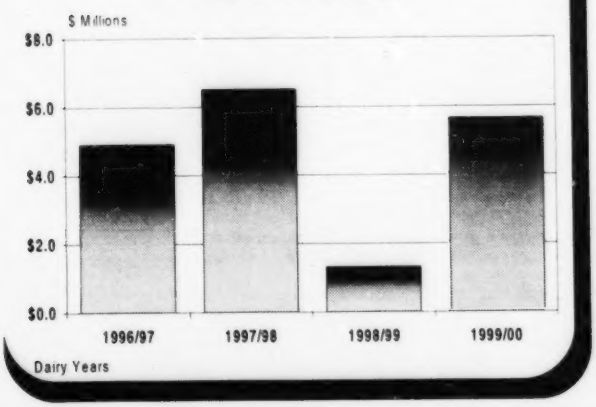
The Coordinating Committee has worked on such issues as interprovincial milk movement rules, end use MCP conversion, price harmonization, pooling revenues on MCP or Total Solids and automatic quota adjustments.

CANADIAN MILK SUPPLY MANAGEMENT COMMITTEE (P9)

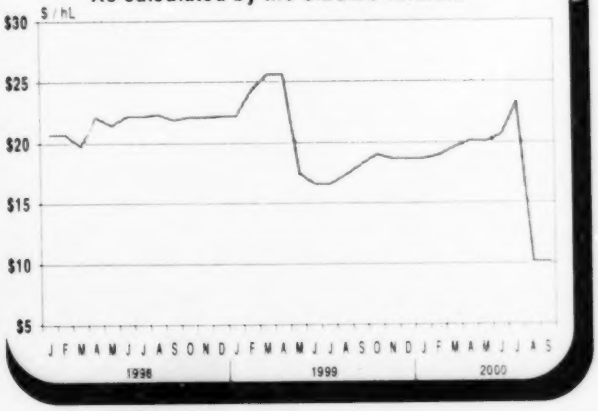
The Canadian Milk Supply Management Committee (CMSMC) oversees the application of the National Milk Marketing Plan, the federal/provincial agreement that governs milk supply management in Canada. Chaired by the Canadian Dairy Commission, the CMSMC has representation from the producers and governments of all provinces except Newfoundland. Newfoundland is currently negotiating for entry into the P9.

Highlights of the 1999/00 dairy year was an agreement on an automatic formula to trigger MSQ adjustments, an agreement on national over declaration and the creation of the CMSMC Special Committee which is working to resolve long standing issues between provinces.

National Pool Transfers
1996/97 to 1999/00



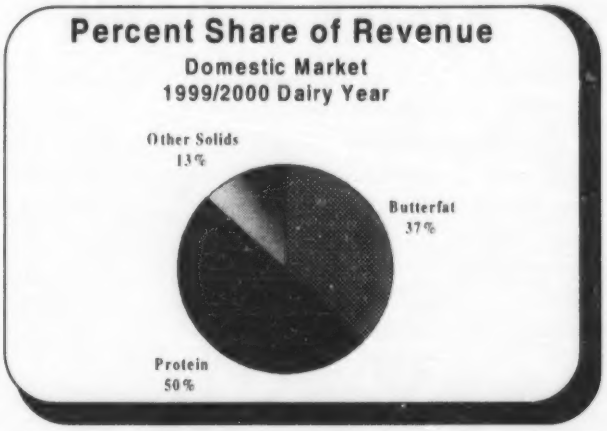
Producer World Prices
As calculated by the CMSMC formula

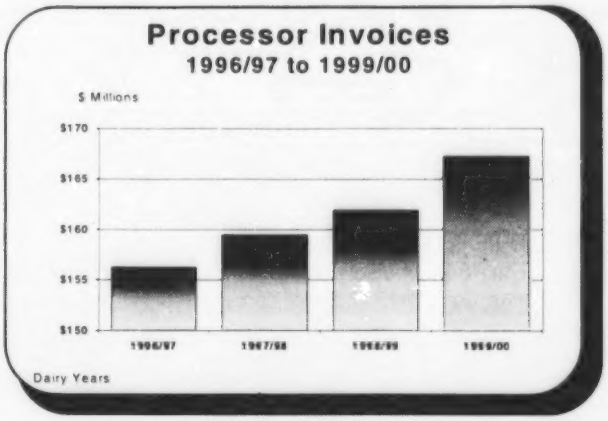


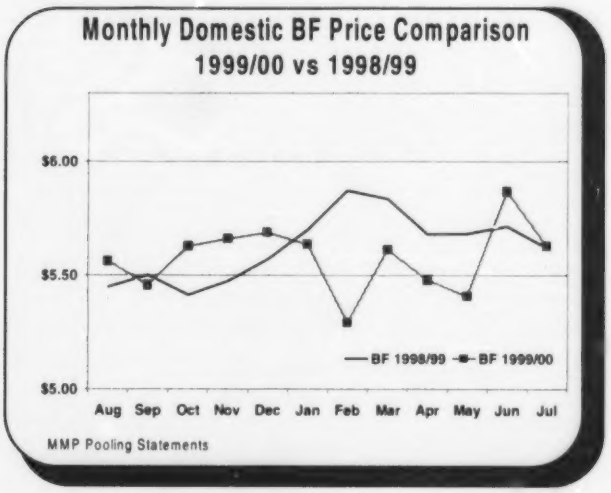
Marketing in fluid (Class 1) milk increased on a volume basis by 4.68% with an increase in revenues of 5.02%. Industrial milk marketings saw an increase of 0.48% this year compared to last year. With an industrial milk price increase, industrial revenues were up by 3.94%. Overall, this placed domestic revenues received from processors at an increase of 3.49%. Adding in revenues from Optional Export Programs, total revenues from processors was 3.22% higher than the 1998/99 dairy year.

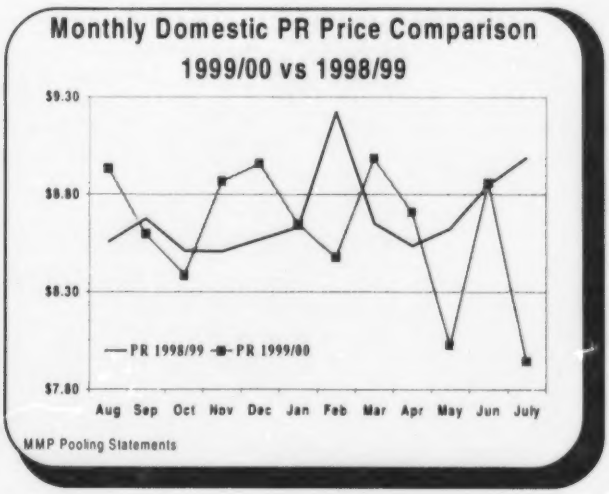
Taking into account pool adjustments such as component adjustments, pool interest income and national pool payment, gross revenues paid to producers were up by 0.65%. The biggest effect was the national pool payments as an additional $4.3M were paid into the P9 pool this year compared to last year. The reason being there were increased special class activities and more export marketings in the P9 pool this year compared to 1998/99. This increased the payments needed to cover all the national exporting programs.

With Canada's loss at the WTO trade panel, the Canadian Dairy Commission is limited in the amount of exports it participates in. This should reduce the payments required for the P9 pool and should stabilize the producer price.









Class Milk	Description	Litres	Butterfat kgs	Protein kgs	Other Solids kgs	Total Values
1A	Fluid Milk	101,691,905	1,668,947.786	3,398,136.684	5,820,946.312	$51,769,473.73
1B	Fluid Creams	3,525,930	624,660.400	98,341.708	168,645.221	$4,798,994.75
1C	Flavoured Milk	7,953,415	106,116.509	265,461.130	454,792.172	$3,919,554.15
2	Ice Cream	3,613,117	747,169.990	98,209.721	166,880.247	$5,208,225.59
3A	Specialty Cheese	49,759,608	1,522,897.242	1,689,747.924	2,829,471.917	$26,155,479.12
3B	Cheddar Cheese	78,971,917	2,491,182.134	2,665,989.704	4,506,135.091	$41,701,568.12
4A	Butter/powder	26,043,065	3,705,387.703	777,294.978	1,301,724.383	$29,004,461.38
4B	Condensed Milk					
4C	New Products	125,440	4,778.592	4,215.851	7,102.959	$70,482.82
4D	Inventories	1,645,683	11,651.469	57,876.154	96,184.873	$644,998.60
5A	Further Processor - Cheese	3,105,467	99,739.312	105,742.737	175,809.107	$1,153,799.16
5B	Further Processor-Non Cheese	1,143,849	89,964.401	36,844.219	61,608.334	$649,995.70
5C	Confectionery products	126,714	129.000	4,549.609	7,415.020	$29,577.01
5D	Planned Structural Surplus	6,263,964	11,116.562	219,144.126	367,541.343	$849,081.07
5E	Plan C & Surplus Removal	7,239,848	11,182.625	246,156.964	427,304.579	$992,734.04
	Optional Export Program	1,000,000	38,106.757	33,313.411	56,503.075	$218,837.62
	Component/Meter Shrink	961,235	22,634.996	151,009.523	114,697.540	
Gross Production		**293,171,158**	**11,155,647.477**	**9,852,034.442**	**16,562,762.172**	**$167,167,262.86**

Pool Adjustments:

- National Pool (P4)	$327,256.90
- National Pool (P6)	-$463,379.24
- National Pool (P9)	-$5,481,462.57
- Pool Interest Income	$190,255.02
- Component Adjustments	-$8,549.67

TOTALS	293,171,158	11,155,647.477	9,852,034.442	16,562,762.172	$161,731,383.30

POOL PAYMENT DISTRIBUTION

Domestic Components & Revenue		Distribution Weight	Average Pool Factors	Component Revenues	Revenues
	Butterfat	10,456,038.314	$5.57275	$58,268,851.72	
	Protein	9,239,929.693	$8.60608	$79,519,576.24	
	O/Solids	15,534,215.067	$1.27975	$19,879,863.25	$157,668,291.21

Optional Special Class Components & Revenue		Distribution Weight	Average Pool Factors	Component Revenues	Revenues
	Butterfat	218,394.440	$2.55171	$557,279.28	
	Protein	191,931.140	$4.02751	$773,004.58	
	O/Solids	322,251.450	$0.59934	$193,137.58	$1,523,421.47

World Market/Optional Export Components & Revenue		Distribution Weight	Average Pool Factors	Component Revenues	Revenues
	Butterfat	477,226.540	$1.95223	$931,657.32	
	Protein	416,577.200	$1.38433	$576,682.20	
	O/Solids	700,227.350	$1.38580	$970,378.22	$2,478,717.74

Food Bank		Distribution Weight	Average Pool Factors	Component Revenues	Revenues
	Butterfat	3,988.180	$5.57275	$22,195.92	
	Protein	3,596.410	$8.60608	$30,980.91	
	O/Solids	6,069.310	$1.27975	$7,776.05	$60,952.88
				TOTAL REVENUES	$161,731,383.30

1999/2000 DAIRY YEAR

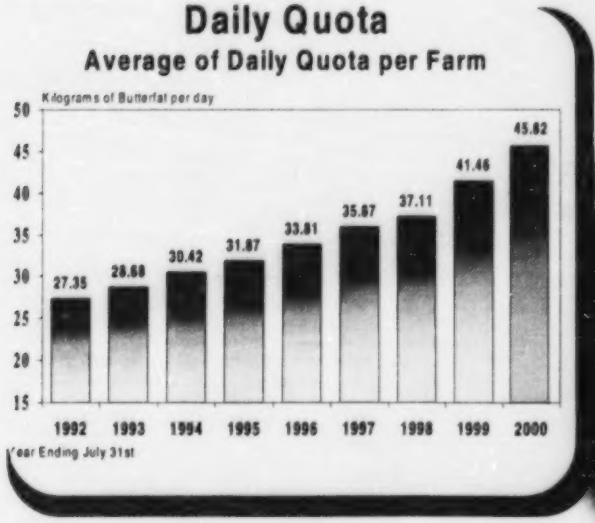
Producers daily quota was left unchanged for the start of the 1999/00 dairy year. However strong growth in the industrial market lead to a 1% quota increase effective June 1, 2000, followed by an additional 1% quota increase effective July 1, 2000 to accommodate growth to the fluid market. A 5% Cover-Off was made available to producers for August through November 1999 which made an additional 176,809.28 Kilograms of quota available to producers, 48.1% of the available Cover off was actually used.

Daily Quota Issued as of July 31,2000: 29,603.35 kg BF
Kg.daily B.F. Production: 11,151,660.24 Kgs. BF
Quota Utilization 1999/00 : 104.84%

2000/2001 DAIRY YEAR

There was no change to producer's daily quota for the start of the new dairy year August 1, 2000. However encouraging growth in both industrial and fluid markets may trigger quota increases during the 2000/01 production year. The cover off was again set at 5% for the period August 1 to November 30, 2000.

Daily Quota Issued for August 1, 2000: 28,724.52 kg BF



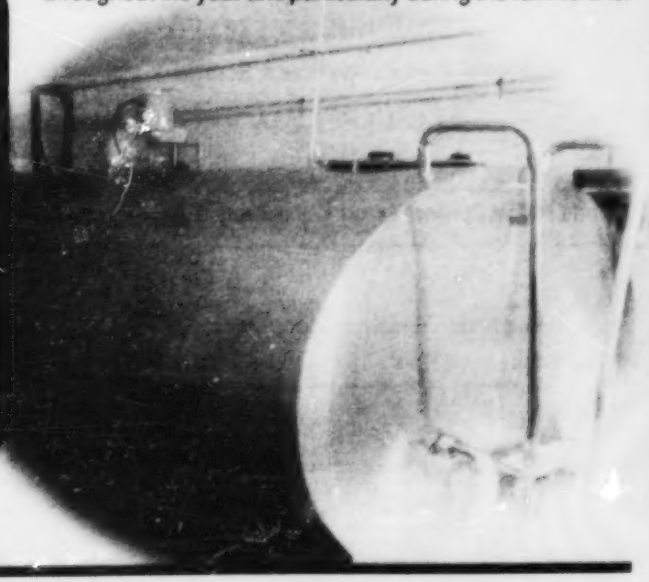
QUOTA POLICY CHANGES FOR 2000/01

Producers will be adjusting to a number of changes to quota policy for the new dairy year. The new changes include:

Elimination of the 98%/2% Policy:
A producer's daily quota will no longer be split into "domestic In-Quota" which was 98% of the daily allotment, with the remaining 2% as an "optional special class". The producer's domestic revenue will now be paid on the basis of 100% of the daily quota allocation. Unused quota credits will be on the basis of 100% of daily quota as opposed to 98%.

Over-Quota Production to Remain in the Domestic Market:
As a result of the W.T.O. ruling on the export of Canadian Dairy products, all surplus milk production must remain in the domestic market. The marketing options within Canada for surplus removal will be limited and therefore the price promises to be very low.

Maximum Unused Credits Reduced:
The maximum kilograms of unused quota credits that a producer can hold at any given time has been reduced from 30 down to 20 times the producer's daily quota. And producers will only receive a limit of 3 days worth of unused credits during the months of August to November. This policy change is intended to encourage Manitoba producers to achieve consistent and uniform production throughout the year and particularly during the fall months.



M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

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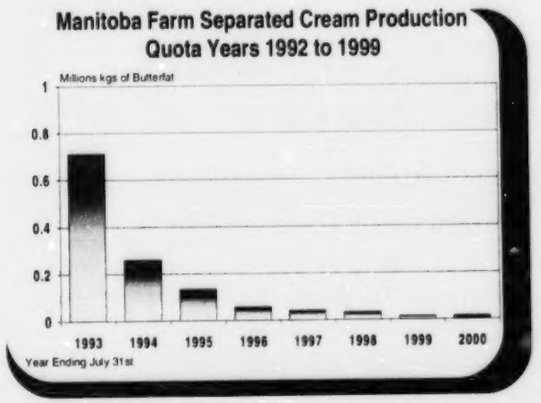
CREAM QUOTA SUMMARY

Farm separated cream production totalled 15,994 kilograms of butterfat for the dairy year ending July 31, 2000 (114.1% utilization).

There was a .25% increase to Cream M.S.Q. effective June 1, 2000 As of August 1, 2000 Manitoba has 7 registered cream producers holding 13,083 Kilograms of cream M.S.Q.



QUOTA EXCHANGE SUMMARY

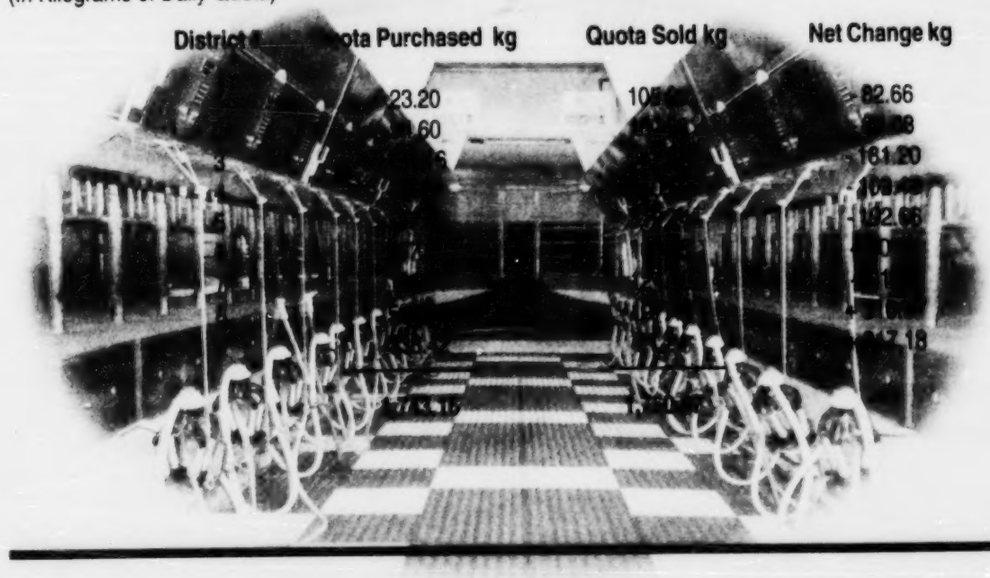
Quota Exchange Clearing Prices

	1999/00 Quota Price By Month		1998/99 Quota Price By Month
Aug	$15,050.00	Aug	$11,500.00
Sep	$15,800.00	Sep	$11,052.00
Oct	$16,666.99	Oct	$11,190.00
Nov	$16,500.00	Nov	$11,500.00
Dec	$16,850.00	Dec	$12,000.00
Jan	$17,500.10	Jan	$12,500.00
Feb	$18,879.75	Feb	$12,999.99
Mar	$19,000.00	Mar	$12,950.00
Apr	$18,500.00	Apr	$12,900.00
May	$17,200.00	May	$13,000.00
Jun	$17,770.00	Jun	$13,400.00
Jul	$18,300.00	Jul	$14,000.99

	Milk	Cream	Total
Total Quota Offered For Sale (Kg.):	5,107.44	4.33	5,111.77
Total Quota Sold on the Exchange (kg.):	1,756.64	4.33	1,760.97

SUMMARY OF QUOTA MOVEMENT BY DISTRICT

(In Kilograms of Daily Quota)



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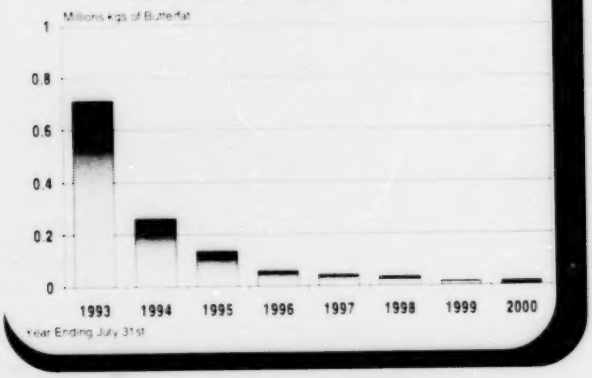
Manitoba Farm Separated Cream Production
Quota Years 1992 to 1999



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Jan	$17,500.10	Jan	$12,500.00
Feb	$18,879.75	Feb	$12,999.99
Mar	$19,000.00	Mar	$12,950.00
Apr	$18,500.00	Apr	$12,900.00
May	$17,200.00	May	$13,000.00
Jun	$17,770.00	Jun	$13,400.00
Jul	$18,300.00	Jul	$14,000.99

	Milk	Cream	Total
Total Quota Offered For Sale (Kg.):	5,107.44	4.33	5,111.77
Total Quota Sold on the Exchange (Kg.):	1,756.64	4.33	1,760.97

SUMMARY OF QUOTA MOVEMENT BY DISTRICT

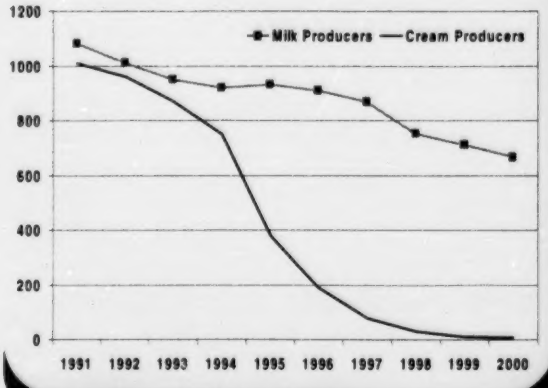
(In Kilograms of Daily Quota)

District #	Quota Purchased kg	Quota Sold kg	Net Change kg
1	23.20	105.86	- 82.66
2	94.60	180.28	- 85.68
3	161.16	342.36	- 181.20
4	80.00	183.52	- 103.46
5	127.08	319.74	- 192.66
6	267.15	186.15	+ 80.95
7	165.11	124.18	+ 41.93
8	508.43	197.46	+ 310.97
9	338.42	21.24	+ 317.18
	1,743.16	1,760.97	

SUMMARY OF QUOTA TRANSFERS

Type of Transfer	# of Applications Approved	Kg of Quota Transferred
Complete Dairy Farm Sale	7	402.87
Complete Family Transfers	16	740.03
Farm Incorporations	11	828.78
Partial In-Family Transfers	2	13.00

Number of Dairy Farms
Milk and Cream Producers

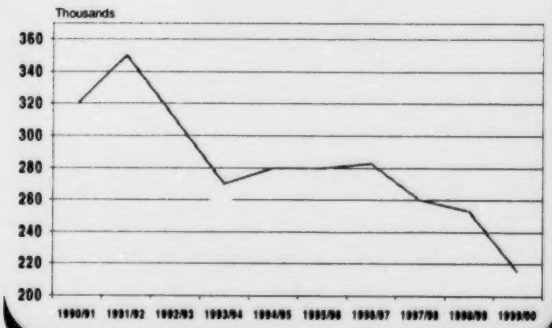


MILK QUALITY

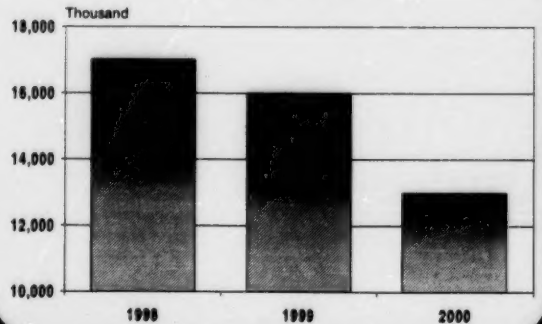
Overall milk quality in Manitoba showed improvement in the 1999/2000 dairy year with averages on Somatic Cell Count and Plate Loop count dropping significantly. Consequently the number of infraction warnings and penal-

	Infraction Warnings	Infraction Penalties	Total Infractions	% Change
Plate Loop	136	22	158	+ 56
Somatic Cell	170	67	237	- 26
Water	3	0	3	- 62
Antibiotics	-	17	17	- 43

Manitoba Average Annual Somatic Cell Count



Manitoba Average Annual Plate Loop Count



QUALITY GROUP ACTIVITIES

The quality group continued through 1999/00 to contact and provide assistance to producers experiencing milk quality problems, and increase awareness of the importance of good herd and udder health practices. Through the efforts of Manitoba Milk Producers in cooperation with staff from Manitoba Agriculture, local Veterinarians, and Equipment Dealers, the number of producers experiencing chronic milk quality problems continues to drop each year.

TRANSPORTATION

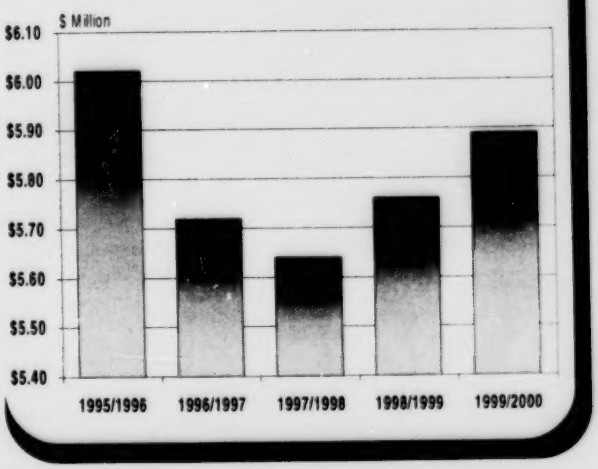
The dairy industry as a whole has seen a lot of changes occur in the past year, with the same holding true in the area of transportation. In the past year, Manitoba Milk Producers' staff has worked very closely with transporters to make changes and improvements to the way milk is transported in the province.

The July 2000 transportation pool was paid out to transporters on August 11, 2000, which brought a close to the 1999/2000 dairy year. A total of 2,931,622 hectolitres of milk was transported by 14 haulers, resulting in a total cost of $5,893,453 or $2.01 per hectolitre. Looking back on last year's cost of transportation, 16 transporters hauled 2,872,643 hectolitres of milk at a rate of $2.005 per hectolitres. Comparing the rates of the past two dairy years, producers have experienced a $0.005 per hectolitres increase in the cost of transportation. Numerous factors such as fuel and equipment continue to put upward pressure on transportation rates. In reviewing the last twelve months, the cost of fuel has increased by $0.10 per litre for an increase of 20%. Through the transportation rate formula, transporters are compensated for both fuel costs and equipment costs. We have managed to control the cost to the producer by striving for ongoing rationalization of routes and changes in equipment (tandem or trailer).

We ended the 1999/2000 dairy year with a fleet of 19 tandems and 16 tractor-trailers. In regards to equipment, the chart below shows the progress that has been made in the last couple of years. By looking at this chart you may also note that total mileage traveled has increased. Although milk movement can vary from month to month, higher volumes of milk have been directed to both the plants at Winkler and to a lesser degree Brandon at the beginning of the year. However, taking all these factors into account, it has been through the cooperation of both producers and transporters' numerous improvements have come about. Both these parties are to credit for their accomplishments.

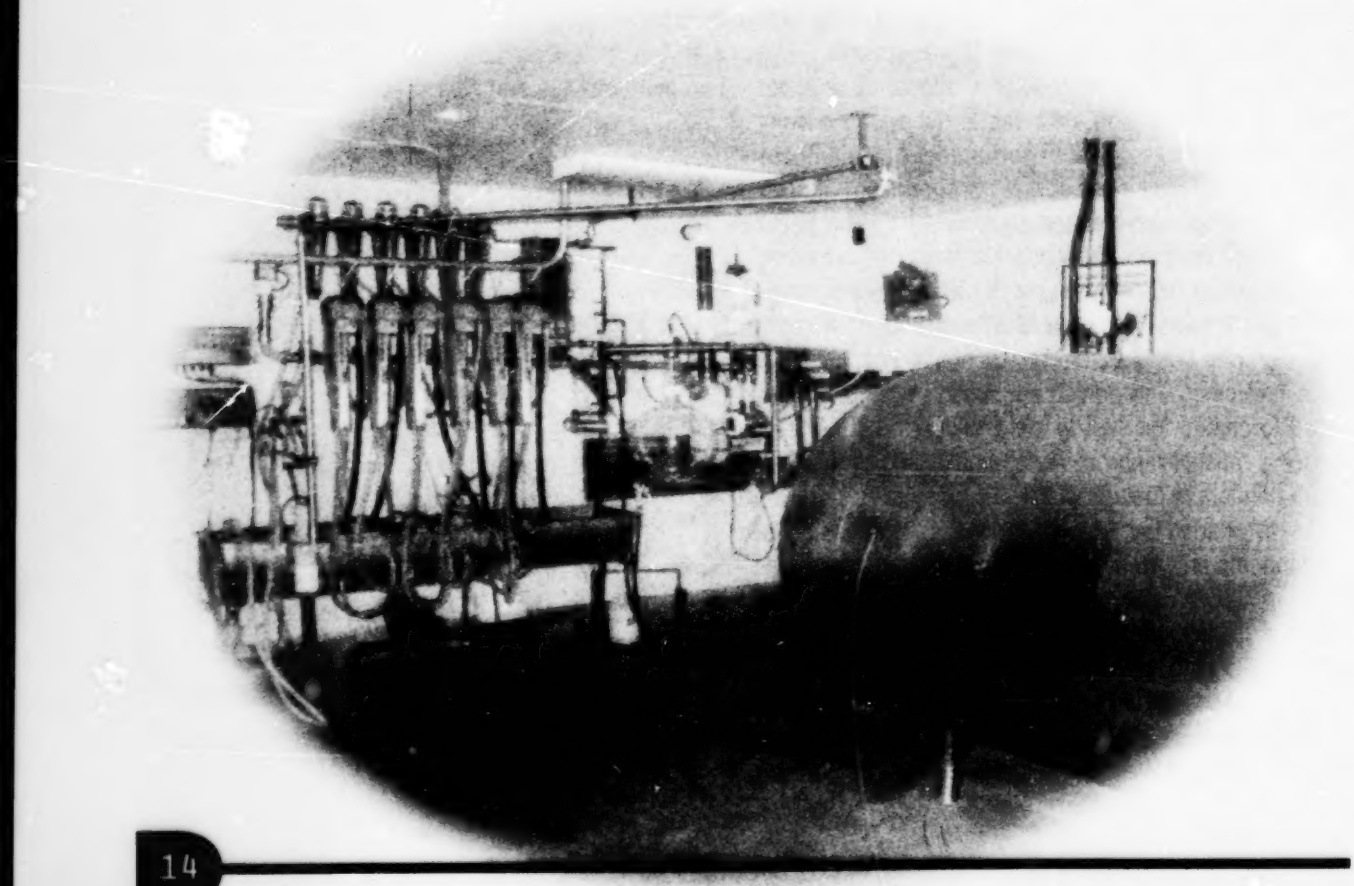
Rationalization, equipment upgrades and changes and truck/plant re-assignments will be top priorities in the coming year. Continued movements of quota will result in an ever-changing environment for transportation. Staff will continue to be out in the field working along with both transporters and producers with problems relating to transportation, as well as searching for ways to make the system more efficient and cost effective.

Total Annual Transportation Costs



TRANSPORTATION - FACTS AND FIGURES

No. OF	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000
Haulers	19	18	17	16	14
Tandems	28	27	26	24	19
Trailers	11	12	12	14	16
Routes	100	98	100	103	103
Estimated Annual distances (km)	3,737,000	3,682,000	3,604,000	3,585,000	3,626,000
No. of hL Hauled per (km)	0.737	0.758	0.790	0.800	0.800
Total Costs	$6.02	$5.72	$5.64	$5.76	$5.89
Cost / hL	$2.181/hL	$2.055/hL	$1.982/hL	$2.005/hL	$2.010/hL



Milk continued to be top of mind for Manitoba consumers in 1999/2000. Annual advertising tracking research indicated that the *got milk?* campaign sustained the same high awareness levels witnessed since its launch in 1995 without showing any signs of wear. The campaign has become so popular in Manitoba that other local advertisers have capitalized on the strength of the slogan.

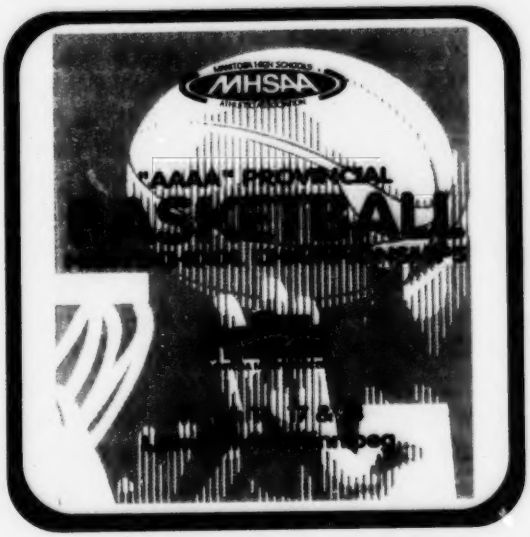
Television remained the primary medium with four different executions being aired throughout the year. Y2K presented a huge marketing opportunity for advertisers. Manitoba Milk Producers aired the "Y2Kud" commercial featuring a cow that survived the potential electricity outage, warning people to ensure they have enough milk so they could survive the turn of the century. Numerous positive phone calls were received from amused milk drinkers commending the humorous commercial. Animated animal crackers jumped out of their box in the "Animal Crackers" spot. The "Peanut Butter Dog" created empathy for the poor dog that really needed that sip of milk with his peanut butter. The year ended with another slant to the campaign with the "got chocolate milk?" spot promoting chocolate milk in a light humorous manner. All these television spots continued to focus on the milk deprivation and food co-dependency strategy.

The well-known and loved Cookie Monster returned to Manitoba billboards in the fall to remind consumers to pick up milk on their way home. The perplexed Cookie Monster, missing his milk, was in the face of consumers in the format of horizontal and vertical boards as well as oversized superboards.

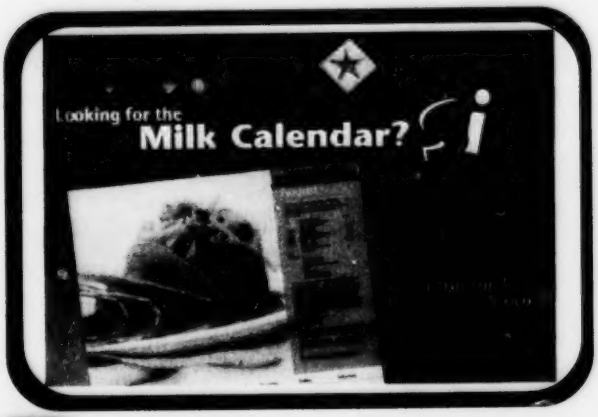
The *got milk? get gear!* promotion returned again for another year in the spring of 2000. Manitoba Milk Producers once again partnered with the three Manitoba milk processors and Christie Brown & Co., a highly credible co-dependent brand. The promotion targeted women with children through in-store, television and outdoor activity. As approximately 70% of purchasing decisions are made in grocery stores, it was critical to have a strong in-store presence with shelf talkers, static cling stickers, and free standing displays in over 120 stores in Manitoba. Manitoba Milk Producers also partnered with CKY5 to create a strong presence in Manitoba communities, as well as offer consumers the opportunity to win instant prizes when they saw the *got milk? get gear!* logo on TV. Consumers collected points through milk proof-of-purchases to redeem *got milk?* merchandise including watches, t-shirts, yo-yos and sunglasses. In addition, all entries were automatically entered to win a grand prize of a 2000 Volkswagen Beetle, which was made possible through a partnership with Auto Haus Volkswagen. The response to the promotion was outstanding with over 2,700 entries representing a 70% increase from the previous year. Although the promotion was officially over in June, Manitoba consumers will continue to be "walking billboards," displaying *got milk?* gear long after the promotion ended.

Manitoba Milk Producers remained visible in community support through donations of promotional materials and sponsorship of events. The long lasting relationship with Manitoba High Schools Athletic Association continued into its 13th year, representing an excellent opportunity to support the community and disseminate the milk message to thousands of high school students and families. Manitoba Milk Producers also supported our local hockey team, the Manitoba Moose, by partnering with the processors in sponsoring three hockey games throughout the season.

FLUID MILK - CONT.



MMP partnered with the Winnipeg Free Press for the fourth year in a row to promote the 2000 Milk Calendar. The first component of the promotion consisted of a two week Milk Calendar Symbol Search contest. Consumers entered to win prizes by spotting a picture of the calendar in the Winnipeg Free Press. The second component of the promotion consisted of a five week Milk Calendar Trivia contest where consumers found answers to trivia questions in their 2000 Milk Calendar. The Trivia Contest grand prize was a trip for two to Playacar, Mexico. The Milk Calendar and Trivia Contest were also advertised in stores on shelf-talkers and several Winnipeg radio stations. Due to the success of the promotion, MMP and the Winnipeg Free Press will partner once again to promote the 2001 Milk Calendar.



CREAM

In 1999-2000, MMP continued to focus on the foodservice industry in the area of Cream—promoting Real Whipping Cream in desserts and Table Cream in coffee.

As a result of building and maintaining strong partnerships with processors and food distributors, Manitoba Milk Producers increased participation of restaurants and independent bakeries on the Real Cream Program through its Winter and Summer promotions.

The Real Cream Winter Restaurant Promotion – "A REAL Taste of Indulgence" – saw a 64 per cent increase in restaurant participation compared to the previous year. The contest included a consumer offer as well as a restaurant staff incentive. Consumers who ordered a Real Cream dessert from a participating restaurant entered to win a trip for two to Solace, the spa at the Banff Springs Hotel. Each time a restaurant staff member sold a Real Cream dessert, he/she was also entered to win the identical trip.

The promotion was externally supported with radio spots that allowed participating restaurants to tag their restaurant name.

The "Get Real Fresh" Summer Promotion increased MMP's Real Cream Program membership by 127 per cent. The promotion included television advertising where participating restaurants and bakeries had their logos tagged onto a Real Cream commercial. The commercials aired during the A-Channel's Big Breakfast Show. Participating restaurants and bakeries were also included in a Real Cream "Dessert Guide" featured in Ciao! Magazine's summer issue.

To compliment the winter and summer promotions, a Real Cream multi-media campaign was developed to further increase consumer awareness of Real Cream products and the Real Cream logo. The campaign included magazine advertising in Reader's Digest, Ciao! Magazine, and Holiday Lights; in-store Christmas recipe brochures and coupons; and television advertising.

The School Milk Program continues to draw a great deal of interest and enthusiasm in Manitoba Schools. In the 1999 – 2000 school year in Manitoba, 691 School Milk Programs were delivered throughout the province, representing a 79% participation rate.

In the 1999-2000 Program Evaluation approximately 90% of respondents agreed strongly that the School Milk Program increased the number of students drinking milk at school. Comments made by some of the participating schools include:

"What a great program! It has helped us change from junk food to healthy food for our snack and canteen program."

Lawrence Sinclaire Memorial School

"This program is great! I think it has got a lot more children drinking milk."

Weston School

"Our students are more aware of the goodness of milk. Also that chocolate milk is good for you!"

Victoria School

"We are very happy to be a part of this terrific program!"

Westview Elementary

Milk Spirit Week, a complementary program offered to schools on the School Milk Program between January and June, was again in high demand! The photo below shows just how creative students and staff can be – recycled milk jugs were used to make an igloo to enhance the students' learning experience in a Social Studies unit.

Other complimentary programs include our Mascot, Winnie the Moo, 15th Anniversary Celebration, School Moosletters and the "Milk Driver of the Year Award".

The School Milk Program has a great deal of community support and continues to be endorsed by the Manitoba Physical Education Teachers Association and Manitoba Association of Home Economists. The Program is also supported by Manitoba members of Dietitians of Canada and Manitoba's dairies Dairyworld Foods, Lucerne and Parmalat Canada.

1999 – 2000 Elementary School Milk Registration Brochure

gistration Brochure

NUTRITION EDUCATION

Milk's Nutrition Education programs continued to find new audiences and have worked closely with other provinces and DFC this past year.

The new Phys-Ed/Health Curriculum was released in June. We will ensure that our school workshops evolve to meet the needs of teachers and schools in Manitoba.

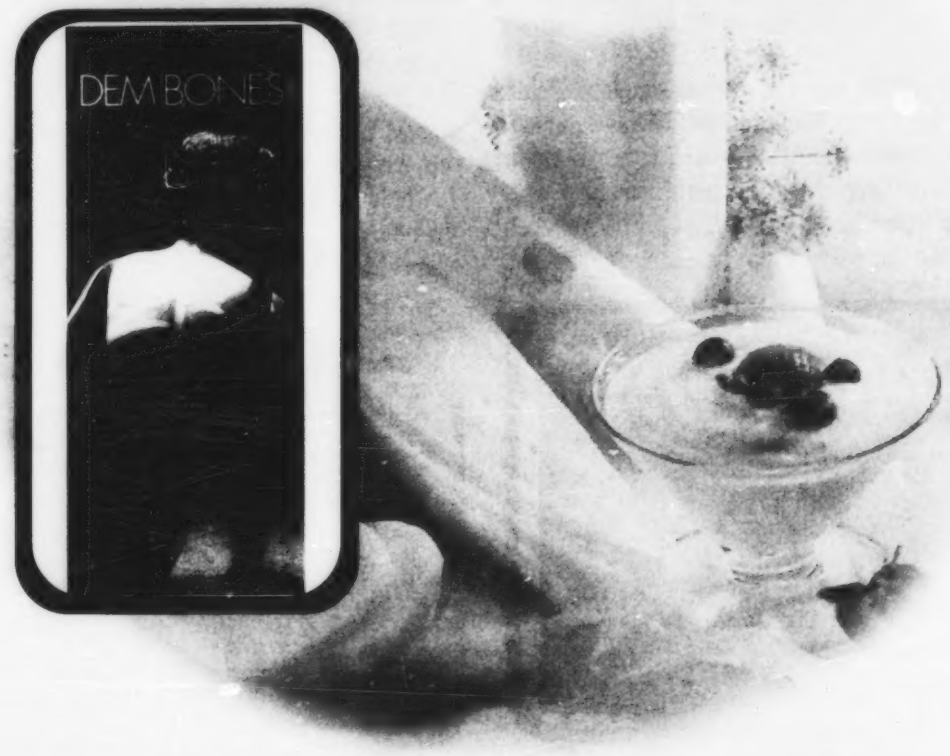
Milk's commitment to the Osteoporosis Society Chapter continues. Our resources continue to be used almost exclusively to deliver the calcium message. Manitoba Milk Producers' Nutritionists organize volunteer training in the province, ensuring that the first message about calcium is always a food message ...milk!

Work with Manitoba Agriculture continues. The exposure of milk recipes in "Great Tastes of Manitoba" (a television cooking show), will continue as the show moved to Global. The recipe booklet "MilleniYUM was one of the recipients of federal government project funding last year.

The Nutrition Forum organized in partnership with Dietitians of Canada was a great success again this year. A sold-out audience of over 300 health professionals attended from all over Manitoba.

The Nutrition Department was involved in the development of a province-wide breakfast initiative in Manitoba schools with the Canadian Living Foundation and other key stakeholders as well as several presentations to health professional conferences for Regional Health Authorities. We also initiated sponsorship of a continuing education day for Family Practice physicians and the development of new infant feeding resources in Manitoba (the first 2 pieces are called "Milk Baby's First Food). We continue to respond to requests for nutrition lectures and workshops in universities in the province

Regular involvement in key nutrition committees and programs provides an ongoing Milk presence in Manitoba health programs. We look forward to furthering this year's work and increased opportunities for our milk and calcium message in the 2000- 01 dairy year.



Hutchings Pope & Brookes, DFK
Chartered Accountants Business Advisors

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To the Registered Producers of
Manitoba Milk Producers

We have audited the consolidated statement of financial position of Manitoba Milk Producers as at July 31, 2000, and statements of operations of milk pool fund, general fund, transportation fund, quota exchange, MFC Testing and Research Inc. and consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the Corporation as at July 31, 2000, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Hutchings Pope & Brookes

Winnipeg, Manitoba
September 22, 2000

Chartered Accountants

WINNIPEG: 300-530 Kenaston Blvd., Winnipeg, Manitoba R3N 1Z4 Tel 204-487-7957
ALTONA: Box 1026, Altona, Manitoba R0G 0B0 Tel 204-324-8994

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2000

Exhibit A

	2000	1999
CURRENT ASSETS:		
Cash	$ 2,308,022	$ 878,375
Accounts receivable	14,029,718	15,916,288
Prepaid expenses	82,695	143,916
Total current assets	16,420,435	16,938,579
CURRENT LIABILITIES:		
Producer cheques - unissued	11,961,286	12,471,752
Accounts payable and accrued liabilities	2,212,177	1,797,878
Total current liabilities	14,173,463	14,269,630
WORKING CAPITAL	2,246,972	2,668,949
PROPERTY, BUILDING AND EQUIPMENT:		
Cost	2,164,967	2,075,848
Less accumulated amortization	(1,425,536)	(1,327,494)
Net property, building and equipment	739,431	748,354
REGISTERED PRODUCERS' EQUITY AND CAPITAL EMPLOYED	**$ 2,986,403**	**$ 3,417,303**
Represented by the following:		
Corporation funds		
General (Ex.C)	$ 2,312,819	$ 2,387,652
Transportation (Ex.D)	-	-
Quota Exchange (Ex.E)	1,205,798	1,605,158
Subsidiary Company -		
MFC Testing and Research Inc. (Ex.F)	(532,214)	(575,507)
	$ 2,986,403	**$ 3,417,303**

Approved by the Members

Hugh M Jameson
Hugh Jameson

Bill Swan
Bill Swan

STATEMENT OF MILK POOL FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 2000

Exhibit B

	2000	1999
INCOME:		
Milk sold to processors	$ 167,198,981	$ 161,962,244
Investment interest	190,255	196,158
Total income	167,389,236	162,158,402
DISTRIBUTION:		
Payments to Manitoba producers	151,072,164	150,413,513
Interprovincial pool equalization payments	5,647,058	1,349,277
Deductions for Corporation controlled funds:		
General (Ex.C)	4,181,115	4,079,854
Transportation (Ex.D)	6,002,762	5,774,987
Deductions determined by others:		
Milk recording levy	88,217	86,081
Keystone Agricultural Producers	36,900	41,400
Other deductions:		
Quality penalty levy (Ex.C)	71,613	117,943
Optional export program	14,632	36,755
Tank calibration	11,575	-
Food Bank donations	59,107	59,442
MFC Testing and Research Inc. (Ex. F)	204,093	199,150
Total distribution	167,389,236	162,158,402
UNDISTRIBUTED INCOME FOR THE YEAR	-	-
APPROPRIATION TO GENERAL FUNDS	-	-
UNDISTRIBUTED INCOME AT BEGINNING AND END OF THE YEAR	$ -	$ -
VOLUME OF MILK (in thousand litres)	293,171	287,264

STATEMENT OF GENERAL FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 2000

Exhibit C

	2000	1999
INCOME:		
Deductions (Ex.B)		
Milk producers	$ 4,181,115	$ 4,079,854
Quality penalties	71,613	117,943
Cream producers	48	46
Interest	226,634	231,212
	4,479,410	4,429,055
EXPENSE:		
Amortization	58,232	47,595
Antibiotic milk losses	30,263	42,627
Communication	72,245	80,007
Interest allocated to milk pool	190,255	196,158
Meetings and seminars	97,049	72,845
Members (Note 4)	349,460	332,483
Memberships and grants	87,934	91,250
Milk sample costs	75,846	70,547
Occupancy	63,334	67,479
Office supplies	86,456	77,055
Professional fees	90,224	95,987
Salaries and benefits	765,501	815,480
Staff travel	103,888	88,901
Other	68,596	38,026
Media advertising		
Dairy Farmers of Canada	1,456,398	1,432,355
Provincial	813,084	783,581
Promotional materials	137,299	122,450
Special event sponsorship	33,176	54,444
Expense recovery	(25,002)	(28,149)
	4,554,238	4,481,121
NET INCOME (LOSS) FOR THE YEAR	(74,828)	(52,066)
RETAINED INCOME AT BEGINNING OF THE YEAR	2,387,652	2,439,718
RETAINED INCOME AT END OF THE YEAR	$ 2,312,824	$ 2,387,652

STATEMENT OF TRANSPORTATION FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 2000

Exhibit D

	2000	1999
INCOME:		
Deductions (Ex.B)	$ 6,002,762	$ 5,774,987
Diversion revenue	-	-
	6,002,762	5,774,987
EXPENSE:		
Transporter payments:		
Assigned plant deliveries	5,877,286	5,639,343
Diversions	22,896	35,644
Tank calibrations	2,580	-
Salaries and benefits	100,000	100,000
	6,002,762	5,774,987
NET INCOME FOR THE YEAR	-	-
RETAINED INCOME AT BEGINNING OF THE YEAR	-	-
RETAINED INCOME AT END OF THE YEAR	$ -	$ -

STATEMENT OF QUOTA EXCHANGE OPERATIONS
FOR THE YEAR ENDED JULY 31, 2000

Exhibit E

	2000	1999
QUOTA EXCHANGED:		
Quota transfers to successful bidders	$ 30,542,729	$ 18,639,924
Quota transfers from successful offerors	30,942,089	18,362,939
Quota exchange result excess(deficiency)	(399,360)	276,985
BALANCE AT BEGINNING OF THE YEAR	1,605,158	1,328,173
BALANCE AT END OF THE YEAR	**$ 1,205,798**	**$ 1,605,158**

The Corporation administers a monthly quota exchange to facilitate the orderly transfer of quota between producers.

STATEMENT OF MFC TESTING AND RESEARCH INC. OPERATIONS
FOR THE YEAR ENDED JULY 31, 2000

Exhibit F

	2000	1999
INCOME:		
Component testing fees -		
Deductions (Ex.B)	$ 204,093	$ 199,150
Milk recording program	156,125	156,265
Processor - proportionate sample fees	85,352	83,362
Other income	31,892	38,070
	477,462	476,847
EXPENSE:		
Amortization	39,809	45,588
Board members' per diems and travel (Note 4)	4,243	4,043
Courier service	21,053	20,232
Data processing	2,116	4,291
Insurance	8,530	8,916
Interest (Note 1C)	8,922	12,069
Laboratory accreditation	3,106	8,317
Laboratory supplies	38,203	35,551
Maintenance	13,330	12,534
Occupancy (Note 1C)	16,080	16,080
Office supplies	1,682	1,084
Other	4,178	3,214
Professional fees	15,209	15,030
Salaries and benefits	257,259	232,374
Staff travel	218	147
Staff training	231	1,935
	434,169	421,405
INCOME (LOSS) FOR THE YEAR	43,293	55,442
(DEFICIT) AT BEGINNING OF THE YEAR	(575,507)	(630,949)
(DEFICIT) AT END OF THE YEAR	$ (532,214)	$ (575,507)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2000

Exhibit G

	2000	1999
OPERATING ACTIVITIES:		
Net income(loss) of funds -		
General (Ex.C)	$ (74,828)	$ (52,066)
Transportation (Ex.D)	-	-
Milk Pool (Ex.B)	-	-
	(74,828)	(52,066)
Quota Exchange (Ex.E)	(399,360)	276,985
Income (Loss) of subsidiary -		
MFC Testing and Research Inc.(Ex.F)	43,293	55,442
	(430,895)	280,361
Non-cash items included in above -		
Amortization	98,042	93,183
Loss on disposal of equipment	-	-
	(332,853)	373,544
INVESTING ACTIVITIES:		
Purchase of property, building and equipment	(89,119)	(8,284)
	(89,119)	(8,284)
FINANCING ACTIVITIES:	-	-
INCREASE (DECREASE) IN WORKING CAPITAL POSITION FOR THE YEAR	(421,972)	365,260
CASH PROVIDED BY (USED IN) OPERATION OF NON-CASH WORKING CAPITAL COMPONENTS	1,851,619	(2,782,267)
INCREASE (DECREASE) IN CASH POSITION FOR THE YEAR	1,429,647	(2,417,007)
CASH POSITION AT BEGINNING OF THE YEAR	878,375	3,295,382
CASH POSITION AT END OF THE YEAR	**$ 2,308,022**	**$ 878,375**

( ) denotes use of cash

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2000

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Manitoba Milk Producers is a body corporate established under The Natural Products Marketing Act of the Province of Manitoba in 1974. The Corporation is responsible for the control and regulation of the marketing of milk in the province.

(a) MILK POOL FUND

Selling prices - The value of milk sold to processors is determined by its final product use. The Corporation sets the prices charged to processors except for Class I milk which is set by the Manitoba Milk Prices Review Commission. For purposes of accountability to producers the Corporation credits income from processor sales to a milk pool fund.

Costs of sales - Commencing in 1997 the Corporation participates in interprovincial arrangements with the Western Milk Pool, the All Milk Pool in the east and the Special Class Pool in order to share milk sale revenues equally among Canadian milk producers. The resulting share of interprovincial revenues is paid to the individual Manitoba producers based on the quality and quantity of milk shipped.

The operation of the milk pool is accounted for in Exhibit B.

(b) PRODUCER DEDUCTION FUNDS

Operating Expenses - The Corporation is authorized through provincial statute to deduct fees from producer milk pool payments to cover operating expenses. Such deductions are accounted for separately in Exhibits C, D, and F.

(c) BASIS OF CONSOLIDATION

The Corporation and its wholly owned subsidiary MFC Testing and Research Inc. are considered to be one economic entity for accounting purposes. Accordingly, these financial statements are presented on a consolidated basis. However certain transactions between the Corporation general fund and the subsidiary cannot be eliminated in the respective statements of operations because the Corporation, by government regulation, follows the fund basis of accounting. The resulting related party transactions not eliminated on consolidation are as follows:

	2000	1999
Interest	$ 8,922	$12,069
Occupancy	16,080	16,080
	$25,002	$28,149

(d) **PROPERTY, BUILDING, EQUIPMENT AND RELATED AMORTIZATION**

Property, building and equipment are stated at cost. Amortization is provided for on the straight-line basis over an estimated life of five years for office equipment, seven years for laboratory equipment and thirty years for the building.

(e) **INCOME TAXES**

The Corporation's subsidiary company is a taxable Canadian corporation accounting for income taxes under the tax allocation method. The subsidiary has incurred losses which are not certain of utilization. Accordingly the tax reductions that may result from the application of these losses have not been recognized in the accounts as explained in Note 6.

2. **COMMITMENTS:**

Manitoba entered into an agreement with five other provinces to establish an interprovincial milk pooling arrangement for all milk revenues commencing August 1, 1996. As a condition of becoming a partner in the arrangement the Corporation agreed to pay to the other partners a net exchange consideration of $1.8 million. This agreement was altered through negotiations with the other parties whereby the cost to the Corporation was reduced to $ 122,616 from $ 2,587,500. During 2000 the Corporation paid $ 3,478 to other provinces. These payments are included in the 2000 interprovincial pool equalization payments in Exhibit B. At July 31, 2000 the Corporation had fully paid the other provinces.

3. **PENSION PLAN:**

Employees of the Corporation participate in the Manitoba Civil Service Superannuation Board pension plan which is a defined benefit plan.
Employees of MFC Testing and Research Inc. participate in a defined contribution plan administered by a Canadian insurance company.
The Corporation participates in both plans on a defined contribution basis whereby it contributes to the plan a fixed amount equal to the amount contributed by the employees.

4. **ELECTED MEMBERS PER DIEM AND TRAVEL EXPENSES:**

Members are paid a per diem of $185 ($175 - 1999) and the Chairman $217 ($217 - 1999) for time spent at meetings or on business matters of the Corporation. In the following information the Chairman's per diem includes an annual stipend of $20,000 and the Vice-Chairman's per diem an annual stipend of $10,000.

District		Per Diem	Expenses
#1	Russell McKague	$ 5,863	$ 4,006
#1	Dick Heapy	10,082	7,086
#2	Hugh Jameson	14,057	9,436
#3	Hans Borst	19,608	20,221
#4	Maurice Delichte (Vice Chairman)	18,237	17,311
#5	William Swan (Chairman)	51,370	43,239
#6	John Bannister	17,807	10,748
#7	Ken Leppky (Vice Chairman)	22,761	23,134
#7	Hans Gorter	384	60
#8	Ray Pelletier	16,373	11,609
#9	David Wiens	15,629	14,682
	2000	$ 192,171	$161,532
	1999	$ 200,503	$136,023

5. **PROPERTY, BUILDING AND EQUIPMENT:**

	Cost	Accumulated amortization	Amortization rate
Land	$ 104,109	$ -	-
Building	833,204	309,464	30 years
Equipment			
- laboratory	618,897	582,622	7 years
- other	608,757	533,450	5 years
	$2,164,967	$1,425,536	

6. **INCOME TAXES:**

Manitoba Milk Producers is an agricultural organization whose income is not payable to or otherwise available for the personal benefit of any registered producer. Accordingly, the net income of the Corporation is exempt from income taxes. MFC Testing and Research Inc. is a taxable Canadian corporation. The potential income tax benefits associated with its accumulated operating losses of $532,214 are not recognized in the accounts because of the uncertainty of utilization. The losses are available to reduce taxable income of future years but their availability will expire after 2001.

7. **1999 COMPARATIVE FIGURES:**

Certain of the 1999 comparative figures have been reclassified to conform with the 2000 classification of financial information.

Front row (left to right):
Olga Komoski, Computer Programming
Suzanne Sharp, MFC Lab Assistant
Sharon Ramsumair, MFC Lab Assistant
Teresa Ciccarelli, Product Marketing Coordinator
Kim Latimer, MFC Lab Administrative Assistant
Sandra Shank, Administrative Assistant
Marichelle Cardinoza, MFC Chemical Technician
Julie Geisbrecht, Receptionist

Back row (left to right):
Trudy Tuhkanen, Accounting Clerk
Wayne English, Producer Relations
Shirley Douglas, Producer Relations
Jack Sinnock, Controller
Pat Bugera Krawchuk, School Milk/Nutrition Ed.
Rob Parsons, MFC Chemical Technician
William Barker, MFC Lab Manager
Krystyna Jackowski, MFC Lab Admin. Assistant
Pat McCarthy Briggs, Director Nutrition Ed.
Jo Hooper, Nutrition Ed.
Jim Wade, General Manager/Corporate Secretary

Missing from Photo:
Brent Achtemichuk, Policy Analyst
Bruce Grewar, Producer Relations
Colleen West, School Milk
Enrique Magat, Auditor

John Breckman, Transportation
Lori Rudolph Crawford, Nutrition Education
Sheldon Leniuk, Field Technician
Karen Chappell, Nutrition Education